

95 FERC ¶ 61,183
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Curt Hébert, Jr., Chairman;
William L. Massey, and Linda Breathitt.

Illinois Power Company	Docket No. ER01-123-002
Commonwealth Edison Company	Docket No. ER01-780-000
Ameren Corporation	Docket No. ER01-966-000
Alliance Companies:	Docket Nos. ER99-3144-008,
Ameren Corporation	EC99-80-008, and RT01-88-000
American Electric Power Service Corporation	
Consumers Energy Company	(not consolidated)
Exelon Corporation	
First Energy Corporation	
Illinois Power Company	
Northern Indiana Public Service Company	
The Dayton Power and Light Company	
The Detroit Edison Company	
Virginia Electric and Power Company	

ORDER ON SETTLEMENT AGREEMENT

(Issued May 8, 2001)

I. Background

A. January 24 Orders

Dynegy Inc. (Dynegy), on behalf of its public utility affiliate Illinois Power Company (Illinois Power), asked for authorization to withdraw from the Midwest Independent System Operator, Inc. (Midwest ISO). Upon withdrawal, Illinois Power will join the Alliance Regional Transmission Organization (Alliance). See Illinois Power Company, 94 FERC ¶ 61,069 (2001) (Illinois Power Order). Under its contract with Midwest ISO, Illinois Power must fulfill certain conditions in order to do so. Intervenor

opposing withdrawal questioned whether Illinois Power had fulfilled those conditions and whether the public interest permitted the change, even though the Midwest ISO had not begun operation.

In the Illinois Power Order, the Commission concluded that consistent with the open architecture concept in Order No. 2000,¹ flexibility for regional transmission organizations (RTOs) and their members to change and evolve was especially important while these organizations form. We also noted that the Midwest ISO had committed to an open architecture that can accommodate a change in form; (including becoming a for-profit entity). The Midwest ISO acknowledged that an RTO with the broadest possible reach was in the best interest of market development and its constituencies' best interest. In addition, we noted that during discussions last fall, the Midwest ISO and Alliance participants were able to find common ground on some issues. The parties, however, were still unable to negotiate an arrangement on the proportion of ISO- and for-profit-features in the business model. The negotiations also failed to satisfy the demand of state regulators and consumer representatives for an arrangement that would allow the entire Midwest region to operate a seamless market. Id. at 61,295.

Because of later announcements by Commonwealth Edison Company (ComEd) and others to withdraw from the Midwest ISO, we found that events suggested that it would be in the best interests of all interested parties in the Midwest region to make one last effort to resolve their differences before the Commission ruled in this proceeding. Therefore, we directed the Chief Administrative Law Judge (Chief Judge) to facilitate a final opportunity for expedited settlement discussions among interested parties before we ruled on the merits of Dynegy's request to withdraw from the Midwest ISO. We also encouraged the state commissions to actively participate in these efforts, since we believed that their participation would further resolve this matter. Id. at 61,295-296.

In another order on January 24, 2001, the Commission addressed a filing Alliance Companies submitted in their effort to obtain approval as an RTO under Order No. 2000.² The Commission found that Alliance Companies' filing met the four

¹Regional Transmission Organizations, Order No. 2000, 65 Fed. Reg. 809 (January 6, 2000), FERC Stats. & Regs. ¶ 31,089 (1999), order on reh'g, Order No. 2000-A, 65 Fed. Reg. 12,088 (March 8, 2000), FERC Stats. & Regs. ¶ 31,092 (2000), petitions for review pending sub nom., Public Utility District No. 1 of Snohomish County, Washington v. FERC, Nos. 00-1174, et al. (D.C. Cir).

²Alliance Companies are Ameren, American Electric Power Service Corporation,
(continued...)

characteristics and most of the functions discussed in Order No. 2000, but directed further modifications. Among other things, the Commission found that Alliance's proposed scope and configuration were consistent with Order No. 2000. The Commission also directed Alliance to continue discussions with Allegheny Energy Service Corporation, PJM Interconnection, L.L.C. (PJM), and other entities within the region to further develop resolution to seams issues.³

B. March 26 Order

On March 26, 2001, the Commission denied requests for rehearing and clarification of the order establishing settlement judge procedures. Illinois Power Company, 94 FERC ¶ 61,332 (2001) (March 26 Order). We noted that, on February 23, 2001, the Chief Judge had issued a report stating that "a unanimous comprehensive settlement that disposes of all issues in this proceeding" had resulted, and we also noted that the Chief Judge's report also stated that this comprehensive settlement would dispose of issues in other proceedings pending before the Commission. 94 FERC at 65,035. On March 21, 2001, a formal Stipulation and Agreement (Settlement) was filed with the Commission that would resolve all of the issues in this proceeding. We stated that if the Commission approved the Settlement, all issues raised by the State Commissions and the Coalition of Midwest Transmission Customers would become moot. Id. at 62,236.

II. Chief Judge's Certification of Settlement

On April 6, 2001, the Chief Judge certified the Settlement to the Commission. The Chief Judge noted that the Settlement represents the best efforts the parties could have made under the circumstances and that no party or participant objects to the certification.

In recommending approval of the Settlement, the Chief Judge discusses the following provisions. Under Article IV, Illinois Power, ComEd, and Ameren will withdraw from the Midwest ISO, in exchange for paying a combined exit fee of \$60 million. Article V of the Settlement is the basis for the Alliance and Midwest ISO to

²(...continued)

Consumers Energy Company (Consumers), Exelon Corporation, Illinois Power, Northern Indiana Public Service Company, The Dayton Power and Light Company, The Detroit Edison Company, and Virginia Electric and Power Company.

³ Alliance Companies, et al., 94 FERC ¶ 61,070 at 61,302-329 (2001) (Alliance III Order).

eliminate pancaking between the two by providing for the transmission of electric energy from any source within the Super Region to any sink within the Super Region for a single rate during a transition period that will end no earlier than December 31, 2004. Article VI provides for the negotiation, under the Chief Judge's auspices, of a joint rate among Midwest ISO, Alliance , and PJM.

The Chief Judge also notes that the Inter-RTO Cooperation Agreement (Cooperation Agreement) between the Alliance and the Midwest ISO provides the basis for the development of a seamless market throughout Alliance and the Midwest ISO and is filed as Attachment A to the Settlement.

III. Discussion

We discuss concerns raised by commenters regarding various provisions in the Settlement and make certain modifications and clarifications as discussed below.⁴ Otherwise, we accept the settlement. We also discuss the membership commitment provision in Article IV, which parties did not comment on but which we believe requires further clarification.

A. Article III of the Settlement

Stakeholder Involvement

Section 3.3 of the Settlement provides for the implementation of a process for ongoing stakeholder involvement in the Alliance. Development of this process has already begun and will be completed no later than May 15, 2001.⁵ PG&E National Energy Group (PG&E) and Duke Energy North America LLC (Duke) argue that, while they support the need for early actions to secure stakeholder input into Alliance, more needs to be done. For instance, they claim that a stakeholder advisory committee with defined membership and voting requirements must be established to provide policy input

⁴See Chief Judge's Certification of Settlement at 22-28 for a list of commenters to this Settlement, as well as short-hand references to certain commenters.

⁵Alliance Companies note that they recently held a stakeholder meeting to begin developing this process. See Alliance RTO, Stakeholders Post Meeting Materials, March 22, 2001. This document is available on Alliance 's website at <http://www.alliancerto.com>.

to Alliance.⁶ State Commissions urge the Commission to move without delay to implement the stakeholder process prior to formation of the Alliance.⁷ Enron Power Marketing, Inc. (Enron) argues that in the area of congestion management under the Cooperation Agreement,⁸ there is a lack of any meaningful participation by stakeholders other than transmission owners.⁹

In response to those comments, Trial Staff states that Alliance Companies will file their stakeholder input plan with the Commission no later than May 15, 2001 and that parties may raise their concerns at that time.¹⁰

Discussion

We will accept this provision as filed. We agree with Trial Staff that until such a plan is filed, it is premature to entertain specific concerns as to what may or may not be included in such a process.

B. Article IV of the Settlement

Withdrawal of Departing Companies

Article IV of the Settlement provides for the Departing Companies, Illinois Power, Ameren, and ComEd, to pay the Midwest ISO a total of \$60 million, the agreed-upon amount of the Departing Companies' fair share of the Midwest ISO's start-up costs. In exchange, the Departing Companies may withdraw from the Midwest ISO. Article IV also provides that the Departing Companies, Midwest ISO, and Midwest ISO Transmission Owners (TOs) agree to indemnify each other from future claims associated

⁶PG&E and Duke Initial Comments at 8.

⁷State Commissions' Initial Comments at 6.

⁸Those provisions of the Cooperation Agreement about which commenters raise concerns are discussed below.

⁹Enron Initial Comments at 9.

¹⁰Trial Staff Reply Comments at 18.

with this withdrawal, except for express written guarantees and with certain limitations discussed in the article.¹¹

Wabash Valley Power Association, Inc. (Wabash Valley) notes that, while it is a Midwest ISO Transmission Owner, it is not a signatory to this Settlement and thus should not be subject to any additional liabilities imposed by the Settlement Agreement related to indemnifying Departing Companies. Wabash Valley requests that the Settlement Agreement be modified to clarify that joint and several liability is not imposed on non-executing Midwest ISO TOs such as Wabash Valley.

Alliance Companies and Trial Staff answer that Wabash Valley, as a Midwest ISO Transmission Owner, will receive substantial benefits from the Settlement and should not be allowed to avoid the risks and burdens associated with those benefits. Midwest ISO TOs answer that Wabash Valley's concerns raise contract issues that need not be decided until the Article IV indemnification provisions are actually triggered.

Discussion

At the outset, we note that non-signatories cannot be bound by the terms of this Settlement. However, Wabash Valley remains a member of the Midwest ISO. The Midwest ISO agrees to indemnify the Departing Companies from further liability. We also note that the Midwest ISO agreement absolves Wabash Valley of other Midwest ISO members' costs. If, however, Wabash Valley thinks that the signatories will bear more than their share of any future claims provided in the Midwest ISO agreement, we think the Midwest ISO and its members should resolve the matter internally under their procedures for amending agreements.

¹¹Article 4.2(a) provides that the Departing Companies have no liability and will be indemnified against claims against Midwest ISO prior to the Withdrawal Date (as specified in Article 4.11) if an amount assessed against Midwest ISO and the Departing Companies is \$145 million or less but may be liable for claims in excess of this amount. Article 4.2(b) provides that the Departing Companies have no liability and will be indemnified against any claims related to obligations of the Midwest ISO incurred on or after the Withdrawal Date. Article 4.3 provides that the Departing Companies release and waive any claim against Midwest ISO TOs related to any claims asserted or assessed directly against the Departing Companies, individually or jointly. Article 4.4 provides for mutual release by Midwest ISO and the Departing Companies of all claims against each other and that, upon its payment to the Midwest ISO, the Departing Companies have fully satisfied all liabilities and obligations to the Midwest ISO and the Midwest ISO TOs, including Midwest ISO start-up costs.

Membership Commitments

Section 4.10 of the Settlement provides that the Departing Companies agree to stay in the Alliance, and the remaining Midwest ISO TOs agree to stay in the Midwest ISO, until December 31, 2002. While no party has objected to this provision, we note that this type of limitation, while binding on the parties, is not binding upon the Commission.¹² However, under current circumstances, we do not intend to disturb the parties' bargain.

C. Article V of the Settlement

Single Rate Methodology for the Super Region

Article V of the Settlement addresses the development and application of a single (non-pancaked) rate methodology for Alliance and Midwest ISO.¹³ Article 5.1(a) states

Any person qualifying as an eligible customer under the Alliance Companies OATT or the Midwest ISO OATT will be able to obtain transmission service within the Alliance-Midwest ISO Super Region during the Transition Period¹⁴ at the single (non-pancaked) rates provided that the eligible customer's requested transaction satisfies the requirements of Section 5.2(i).¹⁵

Many parties objected to the February 28, 2001 cut-off date for applicability of the Super Region rate to a provider's system as being unreasonable and restricting to RTO membership.¹⁶ Some commenters contend that the Commission should condition

¹²See, e.g., *Cities of Anaheim v. Deseret Generation & Transmission Cooperative*, 90 FERC ¶ 61,236 at 61,755 (2000).

¹³Sections 2.1.2 through 2.1.5 of the Cooperation Agreement restates Article V of the Settlement.

¹⁴Under Article II, the Transition Period ends on December 31, 2004, as set forth in certain described filings of the Alliance Companies.

¹⁵Section 5.2(i) provides that the transaction may be point-to-point or network service under the Alliance's OATT or the Midwest ISO OATT, with both a source and sink (as these terms are defined in the Settlement) in the Super Region.

¹⁶Great River Energy and Dairyland Power Cooperative (Great River and
(continued...))

approval of the Settlement on removal of the February 28, 2001 deadline.¹⁷ City of Springfield, Illinois City Water, Light and Power (City of Springfield) suggests that if the cut-off date is not eliminated, then the deadline should extend to a time after the Commission order approving the Settlement Agreement.¹⁸

Southern Minnesota Municipal Power Agency (Southern Minnesota Municipal) asserts that nothing about a transmission dependent utility's eligibility for the Super Regional rate should turn on whether it was able to join the Alliance or Midwest ISO by February 28, 2001.¹⁹ Finally, Western Resources, Inc. (Western Resources) seeks clarification that control areas joining the Alliance-Midwest ISO Super Region after February 28, 2001, will be eligible service points under the proposed single non-pancaked transmission rate.²⁰

In support of the cut-off date, the Midwest ISO states that it intends to work actively with the Alliance to include additional transmission systems and NERC certified control areas.²¹ Midwest ISO maintains that improving scope and configuration of the respective organizations, broadening access to markets, improving operating and administrative efficiencies, the public interest standard, and consistency with the nondiscriminatory requirements of the Federal Power Act (FPA) argue toward approval of the Super Region contained in the Settlement. Finally, Midwest ISO notes that the

¹⁶(...continued)

Dairyland) Initial Comments at 6-9; Wolverine Power Supply Cooperative, Inc. (Wolverine) Initial Comments at 3-4; American Public Power Association and the National Rural Electric Cooperative Association (APPA and NRECA) Initial Comments at 6.

¹⁷MidAmerican Energy Company, Nebraska Public Power District, and Omaha Public Power District (MidAmerican Energy, NPPD, and OPPD) Initial Comments at 1.

¹⁸City of Springfield Initial Comments at 5 and Sunflower Initial Comments at 9.

¹⁹Southern Minnesota Municipal Initial Comments at 5.

²⁰Western Resources Initial Comments at 4.

²¹Midwest ISO Reply Comments at 6-7.

Commission has the ability to grant an extension of the Super Region rate methodology to additional transmission systems and NERC-certified control areas.²²

Midwest ISO TOs state that the date was important because the revenue requirement for the Super Regional rate was based on an analysis of the Alliance-Midwest ISO's transmission systems as of February 28, 2001. In addition, Midwest ISO TOs also claim that the rate should be low enough to be commercially attractive to potential users of the two transmission systems involved.²³

Trial Staff disagrees that the deadline should be eliminated in the Settlement. Trial Staff points out that the deadline is an important component of the balance struck in the Settlement and is needed to allow timely filing of rate proposals for approval by the December 15, 2001 target date established in Order No. 2000 for start-up of RTO operations. Alliance Companies add that extending the date would unjustly reward those transmission owners who elected to sit on the sidelines at a time the others worked toward complying with Order No. 2000.

Trial Staff and Alliance Companies note that Section 5.1 of the Settlement provides that the non-pancaked rate for the Super Region may be applied to additional transmission systems and NERC-certified control areas upon the mutual written agreement of the Midwest ISO and the Alliance Companies or by order of the Commission.²⁴ Finally, Alliance Companies state that any eligible customer taking service under the Midwest ISO OATT or the Alliance OATT will reap the benefits of the Super Regional rate.²⁵

Discussion

As noted in various reply comments, and by the Chief Judge in his Certification, there are two separate issues presented in this Article: (1) eligibility to receive the single rate over the Super Region and (2) size of the Super Region. With respect to the first issue, as explained above, any eligible customer under either Midwest ISO's or Alliance's respective OATTs is eligible to receive this rate. We find this provision reasonable.

²²Id.

²³Midwest ISO TOs Reply Comments at 13.

²⁴Trial Staff Reply Comments at 6 and Alliance Companies Reply Comments at 9.

²⁵Section 5.2 of the Settlement provides that single rates for point-to-point and network transmission service will be available for service within the Super Region.

With respect to the second issue, the Commission finds that, given the significant amount of lead time needed to implement the Settlement and Cooperation Agreement by the deadline for RTO operation, it is reasonable to require entities to sign the Alliance Agreement or the Midwest ISO Agreement by February 28, 2001. As noted above, the cut-off date was necessary to allow a preliminary calculation of lost transmission revenues as part of the revenue requirement. As stated in Section 5.4 of the Settlement, Alliance and Midwest ISO are required to file under Section 205 of the FPA proposed rates based on Article V rate methodology for the Alliance region.²⁶ Such filings shall occur at the earliest feasible date, but no later than 120 days before the respective Transmission Service Date of the Alliance or the Midwest ISO, respectively.²⁷

We are also satisfied that the provisions of the Settlement and Cooperation Agreement regarding future expansion of the Super Region will alleviate some of the disadvantages of making February 28, 2001 the cut-off date.

Source and Sink

Sections 5.2 (i) and 2.1.4(a) of the Settlement and Cooperation Agreement both state that:

Under the terms for point-to-point and network service of the Alliance Companies OATT and the Midwest ISO OATT, electric energy shall be

²⁶Section 5.2(ii) provides that:

Single (non-pancaked) rates shall be developed based upon the principles of the transition rate methodology proposed by the Alliance Companies for the Alliance Companies, which includes a zonal facilities component and a zonal transition adjustment (ZTA). The ZTA responsibility for each zone will be calculated on the basis of lost revenues throughout the Alliance-Midwest ISO Super Region and revenues collected from the ZTAs will be distributed between the two RTOs [sic] pursuant to the relative sources of the lost revenues, and subsequently allocated among the transmission owners within the RTOs pursuant to their respective revenue distribution methods.

²⁷Article II of the Settlement defines Transmission Service Date as the respective effective dates upon which transmission service begins under the Alliance Companies OATT or the Midwest ISO OATT.

transmitted to any Sink within the Alliance-Midwest ISO Super Region from any Source in said Region, for a single (non-pancaked) rate.²⁸

Many commenters are concerned that the Super Region rate is discriminatory, since it is only applicable to transactions where the Source and Sink are both within the Alliance-Midwest ISO Super Region. Because of this, commenters argue that the Settlement Agreement unduly favors generation within the Alliance-Midwest ISO region.²⁹ Kansas City Power & Light Company (KCP&L) contends that the Source and Sink requirement puts it at a distinct competitive disadvantage in both selling and purchasing power located in the Super Region and, therefore, the Commission should eliminate the requirement that the source and sink both be located in the Super Region for a transaction to qualify for the single non-pancaked rate. Many parties suggest that the single rate should apply to wheeling-out, wheeling-in or wheeling-through transactions.³⁰

In response, Alliance Companies strongly urge the Commission to reject the arguments raised by the various parties with respect to Sections 5.2 (i) and 2.1.4(a) of the Settlement and Cooperation Agreement, respectively. Alliance Companies contend that these parties' arguments fail to recognize that the Super Region rate is an unprecedented pricing arrangement that goes beyond the requirements of Order No. 2000. Alliance Companies state that modification of the Super Region pricing arrangement agreed to by the Executing Parties could have a debilitating impact on the development of future rate reciprocity agreements. Moreover, according to Midwest ISO, this provision is the first

²⁸ Articles I and II of the Settlement and Cooperation Agreement, respectively, define Source as the NERC-certified control area in which the generation is located and Sink as the NERC-certified control area in which the load is located.

²⁹ Midwest Stakeholders Initial Comments at 6; Great River and Dairyland Initial Comments at 9; Virginia State Corporation Commission (Virginia Commission) Initial Comments at 13; Enron Initial Comments at 8; City of Columbia, Missouri (City of Columbia) Initial Comments 9-11; and the Minnesota Department of Commerce (Minnesota Department of Commerce) Reply Comments at 3.

³⁰ KCP&L Initial Comments at 3-4; Ormet Primary Aluminum Corporation (Ormet) Initial Comments at 12; Calpine Corporation (Calpine) Initial Comments at 3; Western Resources Initial Comments at 4; and Lincoln Electric System (Lincoln Electric) Initial Comments at 8.

step to combining markets seamlessly. Therefore, Midwest ISO believes that this progress should be encouraged and not thwarted by the fact that a first step is not the end game.³¹

Discussion

Alliance and the Midwest ISO are now offering to establish, for a transition period, one of the largest areas ever proposed for the elimination of transmission rate pancaking.

We recognize that limiting availability of the Super Region rate to transactions whose source and sink are located there may provide a competitive advantage to generators located in the Super Region vis-a-vis those located outside the Super Region. There are two overriding considerations. Absent the Settlement, transactions utilizing the facilities of Midwest ISO and Alliance would pay two separate transmission rates. Order No. 2000 does not require two RTOs to charge one rate.³² Therefore, the Super Region rate creates a benefit for customers. By requiring the customer to pay only one rate, the proposed Super Region rate may provide to customers additional supply alternatives that might otherwise be uneconomic. In the event that there is only one RTO, the Super Region rate is still a benefit, because the Super Region is larger than either one of the proposed RTOs. Second, the source and sink limitation serves as an incentive to transmission owners that are not currently members of Alliance or Midwest ISO to join one of those organizations.³³

D. Article VI of the Settlement

Alliance /Midwest ISO/PJM Joint Rate

Article VI of the Settlement requires Alliance RTO (upon its creation), Alliance, the Midwest ISO, and the Midwest ISO TOs, and all PJM TOs to negotiate with PJM to develop a joint rate methodology for transactions involving their respective systems. Section 6.2 states that if after November 15, 2001, there is no agreement, Alliance Companies (or upon its operation, Alliance RTO), the Midwest ISO, or PJM may each file

³¹Midwest ISO Reply Comments at 2.

³² The Super Region rate contemplates that the Midwest ISO and the Alliance will each become an RTO.

³³The Super Region rate methodology can be applied to additional transmission systems joining the Midwest ISO and/or the Alliance after February 28, 2001, upon the mutual written agreement of the Midwest ISO and the Alliance or by order of the Commission.

a rate proposal under Section 205 of the FPA to implement the joint rate. Finally, Article VI maintains that the proposals may not seek to alter existing or planned congestion management programs and that the Executing Parties will not challenge the legal authority of the Alliance, the Midwest ISO, or PJM to propose a joint rate methodology under Section 205 of the FPA or the authority of the Commission to accept such a proposal for filing consistent with Article VI.

Several parties, EME Companies and State Commissions, oppose the approach proposed in the Cooperation Agreement, maintaining that the joint rate should apply to transactions between Alliance and PJM or Midwest ISO and PJM, as well as to transactions involving all three.³⁴ Virginia Commission urges the Commission to require the Alliance to negotiate a reciprocal rate arrangement with PJM/PJM West. Virginia Commission maintains that this would mitigate pancaking on PJM/PJM West generation that would have to be paid by importing customers in the East End of the Alliance region, and would significantly expand their generation options.³⁵

In addition to those concerns, Wabash Valley argues that Article VI is merely an invitation to negotiate a solution to the through-and-out problem for west to east flows, which the Commission found problematic with previous Alliance proposals. Wabash Valley asserts that the Commission previously failed to address this issue and should do so now.³⁶ Allegheny argues that the Commission should: (1) clarify that the goal of maintaining revenue neutrality is as equally important as eliminating pancaked rates; and (2) clarify that the Section 205 filing referenced in Section 6.2 does not apply to PJM, since it is not an executing party to the Settlement, and thus any proposal involving PJM will be considered under Section 206 with a different burden of proof than Section 205. Allegheny also believes that Section 6.2 may provide a disincentive to serious negotiations among the Alliance, the Midwest ISO and PJM.³⁷

Trial Staff replies to Allegheny's concerns regarding Section 6.2, noting that it does not anticipate the problems described by Allegheny. In this regard, Trial Staff states that

³⁴EME Companies Initial Comments at 2-3; Midwest Stakeholders Initial Comments at 7-8; State Commissions Initial Comments at 10-11; and the Virginia Commission Initial Comments at 11.

³⁵Virginia Commission Initial Comments at 11-12.

³⁶Wabash Valley Initial Comments at 9. Wabash Valley also notes that it is not an executing party to the Settlement.

³⁷Id. at 4-6.

PJM has previously indicated its willingness to negotiate a joint rate with the Midwest ISO and Alliance and that PJM, as a nonexecuting party to the Settlement, may protest any filing by an executing party for rates involving its facilities.³⁸ Trial Staff also asserts that PJM West's participation in the rate negotiations would benefit consumers but states that such participation should be voluntary. Trial Staff suggests that if these negotiations fail, PJM West should file a report with the Commission stating the reasons why such a joint rate is not feasible.³⁹

In addition, Allegheny responds to arguments favoring a single PJM/Alliance/Midwest ISO rate, claiming that a single rate may not be appropriate for all transactions, given, e.g., locational marginal pricing (LMP) in PJM.⁴⁰ Midwest ISO TOs argue generally that Allegheny's modifications are either unnecessary or premature.⁴¹ Alliance claim that requiring the joint rate to be applicable to PJM and either the Alliance or the Midwest ISO would represent a material change to the settlement which could lead to its withdrawal.⁴²

Discussion

We will accept Article VI because of the pro-active approach the parties took to address rate pancaking. Nowhere in any of the compliance filings to Order No. 2000 do we see the joint rate concept across three proposed RTO regions developed.⁴³ We find that Alliance and the Midwest ISO have proposed a detailed process for structuring negotiations with PJM with the possibility of developing a joint rate. We also note that many of the arguments, such as Wabash Valley's and the Virginia Commission's, go beyond the scope of

³⁸Trial Staff Reply Comments at 20-21.

³⁹Id. at 22-23.

⁴⁰Allegheny Reply Comments at 2-3.

⁴¹Midwest ISO TOs Reply Comments at 17-19.

⁴²Alliance Companies Reply Comments at 17.

⁴³We recognize that there are only two possible ways in which the joint rate would be applied. One involves transactions among all Midwest ISO-Alliance-PJM. The other involves transactions between Alliance and PJM. Some commenters contend that there is a third, which involves transactions between Midwest ISO-PJM. Such transactions would require transmission through Alliance and would have one rate under the currently proposed provision.

this proceeding. However, we do encourage the parties to develop a rate reciprocity agreement that applies to PJM and Alliance.⁴⁴

E. Article VIII of the Settlement

Rate Moratorium

As part of Alliance Companies' September 2000 filing, Alliance Companies proposed a moratorium on the transitional pricing structure that would remain in effect through December 31, 2004, unless the transmission owners unanimously agreed to an earlier termination date.⁴⁵ In the Alliance III Order, the Commission deferred ruling on the rate moratorium until Alliance Companies completed their filing.⁴⁶ Article VIII of the Settlement provides that the rate moratorium described above will be accepted by the Commission through December 31, 2004 and shall also apply to the Super Region rate provided for in Article V of the Settlement.⁴⁷

Various parties take issue with this provision. Wolverine argues that the Commission should reject the provision as not meeting the requirements under Order No. 2000 for innovative rates.⁴⁸ Virginia Commission states that Alliance Companies should be required to comply with their prior obligations and requirements under Order No. 2000 and the

⁴⁴Consequently, although we encourage its participation, we believe that it is unnecessary for PJM West to file a report as Trial Staff suggests.

⁴⁵The moratorium provides for two exceptions regarding changes to the zonal rates during the transition period; i.e., a transmission owner may file for an adder to its zonal rate to recover the cost of new investment incurred by a transmission owner when that cost exceeds 150 percent of the transmission owner's cumulative depreciation expense incurred since the transmission service date; and the moratorium shall not apply unless innovative rate treatment (other than a moratorium) is accepted by the Commission. See Section 2.1 of the Pricing Protocol filed on September 15, 2000.

⁴⁶94 FERC ¶ 61,070 at 61,312 (2001).

⁴⁷The rate moratorium will apply only to Schedules 7, 8, and 9 of the Alliance OATT and to the ZTA components of the Midwest ISO TOs' zonal rates.

⁴⁸Wolverine at 6.

previous Alliance orders.⁴⁹ Great River and Dairyland argue that a moratorium is inappropriate since it would be applicable to the Midwest ISO which at present is not an approved RTO under the Commission's regulations.⁵⁰

Additionally, Great River and Dairyland contend that the moratorium should be rejected until the necessary support is filed and justified. Great River and Dairyland note that the Commission recently recognized the need for such support in the RTO order issued in GridSouth Transco, LLC.⁵¹ Ormet contends that the Commission should clarify that approval of this provision does not waive the Commission's or parties' authority under Section 206 of the FPA.⁵²

Alliance Companies respond that the Commission should accept this provision because the concept of moratoriums predates Order No. 2000, and thus not all moratoriums should be considered innovative rates under Order No. 2000.⁵³ According to Alliance Companies, the Super Region rate is not based on innovative rates under Order No. 2000, and if in the future innovative rates are proposed, they will be supported under Order No. 2000 analysis.

Discussion

We will accept this provision, subject to Alliance and the Midwest ISO filing their actual rates no later than 120 days prior to the transmission service date and subject to Midwest ISO and Alliance receiving final RTO status. We find that, with these conditions, the proposed moratorium is consistent with Order No. 2000. Specifically, the moratorium provides rate certainty to the market. The certainty provided by the moratorium is a critical element of the Settlement, which is the basis for an expanded market and a sounder, seamless and a more reliable electric grid in the Midwest. Moreover, the proposed "new investment" exception will facilitate new investment in the transmission system and will enhance reliability. In this instance, the obvious benefits associated with the Settlement and the moratorium adequately support this provision of the Settlement. Accordingly, as

⁴⁹Virginia Commission at 9.

⁵⁰Great River and Dairyland Initial Comments at 17.

⁵¹Carolina Power & Light Company, et al., 94 FERC ¶ 61,273 at 62,001 (2001).

⁵²Ormet Initial Comments at 11.

⁵³Alliance Companies Initial Comments at 14.

conditioned, the moratorium is consistent with the goal of Order No. 2000 to promote efficiency in the wholesale electric markets.

Regarding Ormet's concern, we remind the parties that acceptance of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in these proceedings, and the Commission retains the right to investigate the rates, terms and conditions under the just and reasonable and not unduly discriminatory or preferential standard of Section 206 of the FPA.

F. Article IX of the Settlement

Scope and Configuration

Section 9.6 of the Settlement provides that "[t]he Commission's approval of this Settlement constitutes approval of the scope and configuration (RTO Characteristic 2 as set forth in Order No. 2000) of the Midwest ISO and the Alliance Companies."

Some commenters object to the Commission granting approval of the scope and configuration of the Midwest ISO without the Midwest ISO demonstrating to the Commission that its scope and configuration meets the requirement of Order No. 2000. Great River and Dairyland note that the Midwest ISO, in its RTO Compliance Filing, stated that "[t]he departure of Illinois Power, ComEd, and especially Ameren would create a large hole in the middle of the Midwest ISO that would leave it with a technically unworkable scope and configuration."⁵⁴ Therefore, Great River and Dairyland request that Section 9.6 of the Settlement be eliminated from the Settlement. Likewise, EME Companies caution the Commission against granting approval of the scope and configuration requirements of both RTOs, since the departure of Ameren, ComEd, and Illinois Power will leave the Midwest ISO with a non-contiguous service territory.⁵⁵ Virginia Commission requests that the Commission sever Section 9.6 from the Settlement.⁵⁶

Midwest ISO disagrees with the commenters and maintains that its existing scope and configuration, excluding Illinois Power, ComEd and Ameren, but bridged by the Settlement and Cooperation Agreement, satisfies the Order No. 2000 scope and configuration

⁵⁴Great River and Dairyland Initial Comments at 13.

⁵⁵EME Companies Initial Comments at 3.

⁵⁶Virginia Commission's argument specifically addresses the scope and configuration of the Alliance and not the Midwest ISO.

requirements. Midwest ISO further notes that the Commission found in Order No. 2000 and in the Alliance III Order,⁵⁷ that a regional transmission organization could meet the scope and configuration requirements through a contract that eliminates the effect of seams between organizations.⁵⁸ Midwest ISO TOs maintain that they would not have consented to the Departing Companies' withdrawal from the Midwest ISO if they did not believe the arrangements for cooperation between the two RTOs contemplated by the Settlement and Cooperation Agreement would enable the Midwest ISO to satisfy the Order No. 2000 scope and configuration requirements.⁵⁹

Discussion

While we are encouraged by the progress the parties have made to date, the Commission declines to determine in this Settlement whether the parties have complied with our requirements on scope and configuration in Order No. 2000. Although in the Alliance III Order, the Commission found Alliance's proposed scope and configuration to be consistent with Order No. 2000, its final compliance with Order No. 2000 will be determined in Docket No. RT01-88.⁶⁰ Similarly, the final determination of whether or not Midwest ISO's scope and configuration meets the requirement of Order No. 2000 will be made in Docket No. RT01-87. We recognize the positive results achieved thus far by the parties, and we note that in Order No. 2000, we said that an "RTO may satisfy some of the minimum characteristics and functions by itself, while satisfying others through a strong cooperative agreement with neighboring RTOs to create a 'seamless trading area'."⁶¹ Specifically, in this case, we note that the Settlement may mitigate the adverse effects of the Departing Companies' withdrawal from the Midwest ISO. We will consider the extent of such mitigation, along with the supplemented record in Docket No. RT01-87-000. We expect the Midwest ISO to supplement its RTO Compliance Filing to reflect the effect that the events since the time it made its filing in Docket No. RT01-87 will have on its scope and

⁵⁷94 FERC ¶ 61,070 (2001).

⁵⁸Midwest ISO Reply Comments at 4-5.

⁵⁹Midwest ISO TOs Reply Comments at 10-11.

⁶⁰See 94 FERC at 61,307.

⁶¹Order No. 2000 at 31,083. The Commission further stated: "However, an RTO application that proposes to rely on 'effective scope' to satisfy Characteristic 2 must demonstrate that the arrangement it proposes to eliminate the effect of seams is the practical equivalent of eliminating the seams by forming a larger RTO." Id.

configuration. In addition, the Midwest ISO should address further developments outside the context of the Settlement which may impact its scope.

Withdrawal of Protests and Requests for Rehearing

Section 9.3 of Article IX states that upon issuance of a final order approving the Settlement, all requests for rehearing of the Alliance III Order in Docket Nos. ER99-3144-000 and EC99-80-000 shall be deemed withdrawn and of no effect. In addition, Section 9.3 provides that protests and requests for rehearing filed by parties in Docket No. RT01-88-000 shall be limited to the issues identified in Section 9.1(b), and that any protests or requests for rehearing addressing issues other than those identified in Section 9.1(b) shall be deemed withdrawn and of no effect.

Enron argues that since it is not a signatory to the Settlement, Section 9.3 should not apply to it. Enron adds that the Settlement should not affect the rights of non-signatories to pursue issues neither addressed or resolved by this Settlement.⁶² Similarly, Wabash Valley claims that as a non-executing party to the Settlement, its protest and request for rehearing in the Alliance Companies' dockets should not be deemed withdrawn.⁶³ Virginia Commission asserts that Section 9.3 is too broad and attempts to resolve matters in the Alliance Companies dockets that are unrelated to the reasons for the settlement negotiations. Virginia Commission asks that the Commission rule on its request for rehearing of the Alliance III Order rather than sever Virginia Commission's procedural rights to pursue these issues.⁶⁴ North Carolina Electric Membership Corporation (NCEMC) also argues that Section 9.3 will extinguish rights of non-parties to litigate issues unrelated to the relationship between the Midwest ISO and Alliance.⁶⁵ Finally, Ormet opposes waiver of the rehearing/protest rights on the rate methodology issue.⁶⁶

Discussion

We agree with Enron that non-signatories to the Settlement cannot be bound by the terms of the Settlement. Florida Gas Transmission Company, 66 FERC ¶ 61,160 at 61,317,

⁶²Enron Initial Comments at 6-7.

⁶³Wabash Valley Initial Comments at 4-6.

⁶⁴Virginia Commission Initial Comments at 3-6.

⁶⁵NCEMC Initial Comments at 7-8.

⁶⁶Ormet Initial Comments at 9.

order on reh'g, 71 FERC ¶ 61,371 at 62,460 (1995); Colorado Interstate Gas Company, 93 FERC ¶ 61,185 at 61,613 (2000). Therefore, since all of the commenters on this issue are non-signatories and not otherwise bound to the terms of the Settlement, we find that their protests and requests will not be deemed to be withdrawn. Furthermore, we add that the Settlement will not affect their rights to pursue issues that are not addressed or resolved in the Settlement. We are addressing these protests and requests for rehearing by separate order issued concurrently in Docket Nos. ER99-3144-006, et al.

G. Article XI

Nonseverability

Article XI contains a series of standard settlement provisions such as nonseverability, lack of precedential effect, and privileged treatment for discussions that produced the Settlement.

Wolverine argues that the Commission should disregard the nonseverability clause contained in Article 11.1.

As noted above, the terms of Article XI, including the nonseverability clause, are commonplace and the Commission sees no reason to modify them.

H. Attachment A - Cooperation Agreement

Post-Transition Period Pricing Structure

Section 2.4 in Article II of the Cooperation Agreement provides a process for the development of a post-transition period pricing structure between the cooperating parties.⁶⁷ Beginning no later than June 29, 2003, the same parties shall begin discussions to determine an appropriate pricing mechanism for multi-system transactions. Such discussions shall involve the consideration of a broad range of possible pricing options as described in Section 2.4.2. However, the Settlement provides that the post-transition pricing structure may not be fully applicable to a transmission owner if, due to the movement to the post-transition structure, that transmission owner would not recover a material portion of its revenue requirement due to increased transmission charges associated with service to bundled load. Under this scenario, if the transmission owner cannot obtain relief from the state in which the bundled load is served, it may choose to retain its pricing zone.

⁶⁷As defined in Article I of Cooperation Agreement, Cooperating RTOs mean the signatories to this agreement (Cooperation Agreement).

EME Companies request that Section 2.4 be deleted as it was not discussed in any detail, nor did any consensus evolve around it during the settlement negotiations.⁶⁸ Trial Staff and Midwest Stakeholders contend that any exemption from the post-transition period pricing structure should not be pre-determined but should be considered at such time as the post-transition rates are filed.⁶⁹

Discussion

We will accept this provision with the clarification that we are not ruling on the appropriateness of any particular exemption at this time. A request by a transmission owner to retain its pricing zone rates should be filed under Section 205 as part of the overall post-transition period pricing structure, and we will rule on it at that time.

Single RTO

Enron argues that the Midwest transmission grid must be under the control of a single operator to provide for a seamless market. Therefore, Enron maintains that the Settlement and Cooperation Agreement should have provided for common or joint management of parallel path flows, congestion management, and other operations of the transmission system rather than "compatible" operations of the two RTOs.⁷⁰

Discussion

In his Certification, the Chief Judge states that Enron insists on a single RTO for the two regions or for two RTOs with joint operating procedures. We find consideration of that issue premature. In the Illinois Power Order, we directed parties to attempt to resolve their differences in a way that would respect their business model preferences and satisfy various state commissions' insistence on the importance of a seamless Midwest market. The settlement judge procedures and the parties' progress in this docket were clearly an important first step and one which may ultimately lead to common management processes or joint operations, or even a single RTO, as Enron requests. Moreover, the Settlement provides a framework for the development of a joint rate for Alliance, Midwest ISO, and PJM regions. We strongly support these efforts toward greater unification. As we have in

⁶⁸EME Companies Initial Comments at 3-4.

⁶⁹Trial Staff Initial Comments at 36, Midwest Stakeholders Initial Comments at 11.

⁷⁰Enron Initial Comments at 4-6.

other cases,⁷¹ we encourage further efforts, not limited to the settling parties here, to build upon the framework of this Settlement to develop common processes and to expand in all directions with the ultimate goal of achieving a single operational RTO for the entire Midwestern market.

Incremental Pricing

Section 2.3 in Article II of Cooperation Agreement provides that the parties shall develop an "incremental" pricing structure for the transition period. They anticipate that the Settlement's rate arrangements will result in increased use of transmission facilities in their regions, and agree that an incremental pricing structure (i.e., "and" pricing) will be necessary to provide incentives for new investment in such facilities. Incremental prices will be proposed to compensate transmission owners for both their embedded costs and incremental costs of transmission upgrades necessary to relieve constraints and maintain reliability. If the parties are unable to agree upon a mutual incremental pricing approach, consistent with Order No. 2000,⁷² they agree to support such proposals filed with the Commission by the other.

State Commissions maintain that Section 2.3 commits the Midwest ISO and Alliance to certain processes that the State Commissions do not believe are designed to effectuate operational coordination and, in some instances, are irrelevant to the issue of operational coordination.⁷³ EME Companies argue that since that topic was not discussed in any detail in the settlement proceedings nor was it the subject of any broad consensus among the parties in the settlement proceedings, Section 2.3 should be deleted.⁷⁴

Discussion

In Order No. 2000, the Commission stated that incremental pricing proposals, if properly constructed, will create appropriate incentives for efficient investment in new transmission assets and indicated that it would provide flexibility with respect to

⁷¹Southwest Power Pool, Inc., 94 FERC ¶ 61,359 at 62,295-296 (2001).

⁷²See Order No. 2000, Section III.G.7(c).

⁷³State Commissions Initial Comments at 14.

⁷⁴EME Companies Initial Comments at 3-4.

incremental pricing proposals by RTOs for such facilities.⁷⁵ We agree with Trial Staff (Initial Comments at 35) that the appropriate forum for consideration of such proposals is in a Section 205 proceeding, as Order No. 2000 and the Cooperation Agreement recognize. Furthermore, section 35.34(e) of our Regulations, by limiting innovative rates to RTOs, ensures that incremental pricing will operate in practice as we envision it in theory. We think that those safeguards are adequate and that our approval of the Settlement should not be deemed to be an endorsement of such proposals beyond what we stated in Order No. 2000.

Inter-System Operations and Congestion Management

Article III of the Cooperation Agreement addresses operations across the Midwest region. Under this article, the cooperating parties agree: (1) to develop compatible protocols and formats to allow data exchange; (2) to seek to reduce overall operations infrastructure costs through appropriate and compatible systems development and sharing agreements; (3) to develop protocols for sharing transmission and generation outage schedule data; (4) to develop necessary protocols to determine and coordinate the posting of compatible ATCs with any regional seam; (5) to share security information among themselves and with neighboring RTOs, adopt the results of NERC initiatives in this area, and work on redispatch sharing agreements; (6) to develop a combined reservations and scheduling system; (7) to coordinate implementation of transmission loading relief events; (8) to implement compatible imbalance markets; and (9) to develop procedures to address real-time operational disputes.

Article IV of the Cooperation Agreement addresses matters associated with congestion management. Section 4.1 provides for day-one procedures (to be ready by July 31, 2001) for dealing with congestion management over interfaces between the cooperating RTOs (Section 4.1). These procedures include: (1) the development of an open, accessible electronic bulletin board system for posting congestion management information; (2) the development of a bid system whereby generators will bid to raise or lower their generation in order to relieve transmission constraints related to congestion; (3) a commitment to facilitate the formation of third party exchanges where congestion management transactions can be arranged; (4) a commitment that, in processing day-ahead transmission requests, the cooperating parties will identify for the transmission customers the generators on both sides of the interface that can significantly relieve congestion and allow those customers the opportunity to contract with the appropriate generators and resubmit their transmission request; (5) a commitment that the cooperating parties will coordinate their reservations and energy schedules that may impact the constrained interfaces; and (6) a commitment to

⁷⁵Order No. 2000 at 31,194-95.

establish a Joint Congestion Management Committee by April 1, 2001. Section 4.2 provides for the development of compatible long-term congestion management mechanisms by each cooperating party. The initial procedures and protocols shall be completed by December 31, 2001, and both Alliance and Midwest ISO agree to use "hybrid" models that combine the flowgate and locational marginal pricing methodologies.

Regarding Article III, Enron opposes the commitments made in this article as being empty and therefore unsuitable for forming a seamless market. Other commenters argue for a single, Super Region-wide imbalance market. Midwest Stakeholders offer modifying language to Section 3.6 which provides flexibility for the Cooperating RTOs to develop either separate (but compatible) energy imbalance programs or a single joint program.

Regarding Article IV, PG&E and Duke argue that the day-one plan in Section 4.1 only covers day-ahead congestion management, not real-time. PG&E and Duke thus request that the Commission ensure that the Midwest region address real-time congestion management on a common basis. EME Companies urge the Commission to require the Alliance and Midwest ISO to develop and operate a single congestion management mechanism within their combined territories. Similarly, Midwest Stakeholders have proposed "clarifying" language to eliminate the apparent requirements that: the cooperating parties must implement separate congestion management mechanisms and use the hybrid approach.

Regarding the requests to require the development of joint energy imbalance and congestion management mechanisms, Midwest ISO answers that it is sympathetic to the commenters' goals, and states that joint mechanisms may be possible in the future once adequate operational experience is gained, but, for now, the Commission should accept the provisions in the Settlement as being superior to what would be available absent the Settlement. Alliance Companies also argue against requiring joint mechanisms at this time. Regarding Midwest Stakeholders' proposed clarifying language, Alliance Companies answer that the revised language is acceptable and, if Midwest ISO agrees, can be incorporated into the Cooperation Agreement when it is filed with the Commission pursuant to Article II of the Settlement.

Discussion

As generally acknowledged by commenters, the Settlement and Cooperation Agreement both merely provide steps on a path meant to arrive at a seamless Midwest market. Various mechanisms will be developed pursuant to the steps outlined in these agreements and will be filed for review by the Commission and interested parties. At this early stage, the Commission is not persuaded by Enron's arguments that these as-yet

undeveloped mechanisms will invariably hinder the formation of a seamless market. Once Enron has reviewed actual proposals, it may bring any further concerns to our attention.

Furthermore, the Commission will not require the development of joint energy imbalance and congestion management mechanisms at this time. While joint arrangements would appear desirable in the long run, we have no basis to find, at this time, that multiple, truly compatible energy imbalance and congestion management mechanisms are not consistent with Order No. 2000. Regarding Midwest Stakeholders' proposed revisions which have been expressly accepted by Alliance Companies, we find that the added flexibility engendered by the revisions is not inconsistent with Midwest ISO's stated position since the revised language merely allows the parties to develop joint energy imbalance and congestion management mechanisms if they see fit. Accordingly, since Midwest Stakeholders' proposed revisions to this article are unopposed, we approve their incorporation into the Cooperation Agreement.

Parallel Path Flows

Article VI of the Cooperation Agreement deals with parallel path flow issues. It provides that each RTO will adopt scheduling and pricing policies meant to internalize most, if not all, parallel path flows within its own region. It also provides that procedures shall be developed to deal with parallel path flows between the parties and the parties shall cooperate with NERC to deal with these issues within the Eastern Interconnection.

Enron again argues that the type of "compatible" operation provided for in this article is inappropriate and the Settlement and Cooperation Agreement should have provided for joint management of parallel path flows instead.

This article provides that the parties will comply with the requirements of Order No. 2000 in that they agree to have procedures in place to deal with parallel path flows within each system by the start-up date of each RTO, and will have procedures in place to deal with parallel path flow issues between the Alliance Companies and Midwest ISO within three years of start-up. The exact nature of these procedures is not contained in this article and does not need to be so long as subsequent filings provide those details. In this regard, we expect the Alliance and the Midwest ISO to amend their RTO compliance filings to explain what effect the realignment of the Departing Companies will have on their plans for dealing with parallel path flows. The Commission will review these parallel path flow plans in the appropriate fora but this article of the Cooperation Agreement, which only provides for compliance with Order No. 2000, need not be changed.

Market Monitoring Committee

Article VIII of the Cooperation Agreement contains provisions regarding market monitoring. Section 8.1 and 8.2, respectively, list the markets to be monitored (or not monitored) and state that the cooperating parties shall agree upon an independent market monitor to provide monitoring services to the Cooperating RTOs. Section 8.3 establishes a market monitoring committee (MMC) which consists of one representative appointed by each Cooperating RTO. The MMC will act as a liaison and advise the independent market monitor (IMM).

PG&E and Duke request that the Commission require that the two members appointed to the MMC be either technical staff members of the cooperating parties or other independent persons with expertise in market design and commodities. If not, Duke and PG&E fear that effective and objective market monitoring may be jeopardized.⁷⁶ Midwest ISO disagrees that objectivity will suffer and states that the MMC is intended to ensure independence in that the IMM is not dominated by any single RTO. However, Midwest ISO, indicates that it has no objection to the possibility of using technical staff to serve on the MMC as requested by PG&E and Duke.⁷⁷ Trial Staff also supports this modification.⁷⁸

We will accept this provision, and consistent with the commenters' request and Midwest ISO's answer, require that when the Cooperation Agreement is filed in final form it contain a requirement that members of the MMC have technical expertise in market design and commodity market behavior.

In the event the Commission does not ultimately find Midwest ISO to be an RTO, the market monitoring principles of the Midwest ISO, consistent with the ISO principles in Order No. 888, shall apply.

One Stop Shopping

Article X of Cooperation Agreement requires the parties to facilitate one-stop shopping across multiple RTOs through a single point of contact.

⁷⁶PG&E and Duke Initial Comments at 8-10.

⁷⁷Midwest ISO Reply Comments at 3.

⁷⁸Trial Staff Reply Comments at 15.

PG&E and Duke argue that the Commission should clarify that the parties are expected to fully commit to a one-stop shopping system, including undertaking any needed hardware, software, and OATT modifications in order to facilitate the operation of a common market.

The Commission finds that the commitments made in Article X, once properly implemented, should meet or exceed the requirements of Order No. 2000.⁷⁹ We note that the mechanisms developed as the parties implement the terms of this article will be subject to review and further orders by the Commission, and once they are filed, interested parties will have the opportunity to comment.

The Commission orders:

The Commission hereby accepts the Settlement, with the clarifications and modifications discussed in the body of this order.

By the Commission.

(S E A L)

Linwood A. Watson, Jr.,
Acting Secretary.

⁷⁹Order No. 2000 requires that individual RTOs provide for one-stop shopping over their systems. Here, in addition to any such efforts already under development within the individual systems of the Midwest ISO and Alliance RTO, the parties to the Settlement agree to provide for one-stop shopping over multiple systems.